

## Message Text

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PAGE 01 STATE 248882 TOSEC 160089

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

S E C R E T STATE 248882 TOSEC 160089

NODIS

PARIS FOR UNDERSECRETARY ROBINSON

FOLLOWING REPEAT MOSCOW 15044 ACTION SECSTATE 20 OCT 75

QUOTE

S E C R E T MOSCOW 15044

NODIS

DEPT PASS USDEL SECRETARY

DEPT PASS PARIS FOR UNDER SECRETARY ROBINSON

FROM UNDER SECRETARY ROBINSON

E.O. 11652: GDS

TAGS: ETRD, UR, US

SUBJ: GRAIN/OIL NEGOTIATIONS

REF: A. MOSCOW 15000; B. MOSCOW 15002

1. FOLLOWING IS MORE COMPLETE REPORT PROMISED REF A ON MY  
OCTOBER 20 MEETING WITH PATOLICHEV AND SUBSEQUENT SIGNING

SECRET

SECRET

PAGE 02 STATE 248882 TOSEC 160089

CEREMONY. OCTOBER 20 MEETING, WHICH BEGAN AT 10 A.M. AND

LASTED APPROXIMATELY ONE AND ONE-HALF HOURS, WAS ATTENDED BY PATOLICHEV, KUZMIN AND GORDEYEV. I WAS ACCOMPANIED BY AMBASSADOR STOESSEL AND FSO NILES. DEPUTY MINISTERS ALKHIMOV AND OSIPOV WERE AMONG THOSE WHO ATTENDED SUBSEQUENT SIGNING CEREMONIES AT 1 P.M. PHOTOGRAPHS WERE TAKEN BUT PRESS WAS NOT PRESENT.

2. ALTHOUGH ATMOSPHERE LIGHTENED SOMEWHAT WHEN I ADVISED PATOLICHEV THAT I WAS IN POSITION SIGN GRAIN AGREEMENT AND OIL LETTER OF INTENT (WITH PRICE CLAUSE 6 OF LATTER WORDED AS BOTH SIDES HAD AGREED), SOVIETS KEPT ANY ENTHUSIASM THEY MAY HAVE FELT CAREFULLY CONCEALED THROUGHOUT. AT SIGNING CEREMONY, I MADE POINT OF STRESSING POSITIVE IMPACT WHICH SIGNING OF THESE DOCUMENTS, AND EVENTUAL CONCLUSION OF OIL AGREEMENT, COULD HAVE FOR OVERALL US-SOVIET ECONOMIC RELATIONSHIP, INCLUDING POSSIBLE AMENDMENT OF 1974 TRADE LEGISLATION. PATOLICHEV AGREED, BUT REVERSED RELATIONSHIP, NOTING THT AMENDMENT OF TRADE LEGISLATION COULD HAVE GOOD IMPACT ON NEGOTIATIONS ON OIL AGREEMENTS. IN SHORT, SOVIETS WERE RELIEVED THAT NEGOTIATIONS HAD BEEN SUCCESSFULLY CONCLUDED, BUT IT WOULD APPEAR THAT EXPERIENCE HAS LEFT SOMEWHAT BITTER AFTERTASTE. HOWEVER, I BELIEVE THAT AGREEMENTS WHICH I SIGNED TODAY WILL PROVE TO BE NOT ONLY HIGHLY BENEFICIAL TO U.S. INTERESTS, INCLUDING FARMERS AND SHIPPING INTERESTS, BUT WILL ALSO MAKE SIGNIFICANT CONTRIBUTION TO BROADENING AND DEEPENING OF US-SOVIET DETENTE.

3. PATOLICHEV MADE CLEAR THAT SOVIETS PLAN NO STATEMENTS, PRESS CONFERENCE, ETC. ON GRAIN/OIL AGREEMENTS, AND HE RAISED NO OBJECTION TO HOLDING OFF WITH ANY COMMENT UNTIL 11:00 P.M. MOSCOW TIME, OCTOBER 20. HE STRESSED, HOWEVER, THAT SOVIETS RESERVED RIGHT TO SET RECORD STRAIGHT SHOULD ANY STATEMENTS COME OUT OF WASHINGTON DISTORTING SUBSTANCE OF AGREEMENTS OR NEGOTIATIONS WHICH LED UP TO SIGNING. IN THIS CONNECTION, I STRESSED THAT SOVIETS SHOULD WATCH CAREFULLY SOURCE OF STORIES WHICH WILL COME OUT OF WASHINGTON AND NOT RPT NOT BE UNDULY CONCERNED WITH PRESS REPORTS BASED ON SPECULATION. (COMMENT:

SECRET

SECRET

PAGE 03 STATE 248882 TOSEC 160089

PALTOLICHEV IS SENSITIVE ON THIS POINT. IT IS CLEARLY IN OUR INTEREST TO AVOID ANY STATEMENTS BY USG OFFICIALS WHICH WOULD GIVE IMPRESSION THAT WE HAVE WON MAJOR VICTORY OVER SOVIETS OR THAT SOVIETS HAVE, IN FACT, GIVEN IN ON OIL PRICE DISCOUNT. SUCH STATEMENTS WOULD ALMOST CERTAINLY ELICIT SOVIET DENIAL, WHICH COULD COMPLICATE ONGOING NEGOTIATIONS ON OIL AGREEMENT. END COMMENT).

4. PATOLICHEV'S CONCERN REPORTED REF A, PARA 4 REGARDING USE OF 7 MILLION METRIC TON OR 5 MILLION METRIC TON FIGURE IN PRESIDENT FORD'S STATEMENT APPEARS TO BE BASED PRIMARILY ON THEIR FEAR THAT GRAIN PRICES WILL BE DRIVEN SHARPLY HIGHER WHEN LONG-TERM GRAIN AGREEMENT IS ANNOUNCED. IN SIDE CONVERSATION, PATOLICHEV AND KUZMIN AGREED AMONG THEMSELVES THAT DIFFERENCE BETWEEN 5 AND 5 MILLION METRIC TONS COULD HAVE MAJOR IMPORTANCE IN TERMS OF MARKET'S REACTION. HOWEVER, THEY BOTH APPEARED TO AGREE WITH MY OBSERVATION THAT VOLUME OF ACTUAL SOVIET ORDERS AND TIMING OF THESE ORDERS WOULD HAVE GREATER IMPACT THAN STATEMENT BY PRESIDENT FORD. (COMMENT: IN THIS CONNECTION, I BELIEVE IT IS IMPORTANT THAT STATEMENT MADE BY PRESIDENT FORD AND ANY SYBSEQUENT STATEMENTS BY OTHER USG OFFICIALS AVOID GIVING IMPRESSION THAT SOVIETS HAVE ASKED US FOR ANY GIVEN QUANTITY OF GRAIN. SUCH STATEMENTS WOULD, IN MY VIEW, ENCOURAGE SOVIETS TO MAKE STATEMENT OF THEIR OWN POINTING OUT THAT THEY HAD NOT ASKED USG FOR ANY SPECIFIC QUANTITY OF GRAIN AND THAT, IN FACT, THEY HAD BEEN ASKED BY THE U.S. TO AVOID PURCHASING MORE THAN GIVEN FIGURE. PRESIDENTIAL STATEMENT PROPOSED PARA 3, REF A SEEMS BEST CALCULATED TO AVOID THIS SORT OF SOVIET REACTION. END COMMENT)

5. PER PARA 7, STATE 244346, I ADVISED PATOLICHEV THAT WE INTERPRETED WORDS "COMMENCE NEGOTIATIONS PROMPTLY" IN OPENING PARAGRAPH OF OIL LETTER OF INTENT AS MEANING PRIOR

TO THE END OF OCTOBER. AS TO SITE, I SUGGESTED "NEUTRAL" LOCATION SUCH AS LONDON, BUT WHEN IT BECAME CLEAR THAT THESE NEGOTIATIONS WOULD INVOLVE PARTICIPATION BY VARIETY  
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PAGE 04 STATE 248882 TOSEC 160089

OF TECHNICAL PERSONNEL, SOVIETS INDICATED PRONOUNCED LACK OF ENTHUSIASM FOR LONDON. IN SIDE CONVERSATION, PATOLICHEV AND KUZMIN AGREED THAT MOSCOW WAS PREFERABLE SITE FOR THESE TALKS, AND PARTOLICHEV SUGGESTED MOSCOW AS "NEUTRAL" SITE WHERE NEGOTIATORS WOULD NOT BE DISTURBED BY PRESS. I NOTED FACT THAT MARITIME AGREEMENT NEGOTIATIONS WOULD BEGIN IN WASHINGTON OCTOBER 22, AND IN VIEW FACT THAT WE COULD NOT DEFINE WITH CLARIY OBJECTIVES FOR HAVING OTHER ASPECTS OF OIL NEGOTIATIONSIN WASHINGTON, I LEFT WE COULD NOT DEFINE WPTH CLARITY OBJECTIVES FOR HAVING OTHER ASPECTS OF OIL NEGOTIATIONS IN WASHINGTON, I LEFT THIS POINT OPEN. PATOLICHEV AND I AGREED THAT QUESTION OF SITE WOULD BE LEFT FOR SUBSEQUENT AGREEMENT, BUT HE ACCEPTED PROPOSAL THAT TALKS SHOULD BEGIN PRIOR TO END OF OCTOBER.

6. AT AIRPORT, I RAISED MARINE INSURANCE ISSUE WITH KUZMIN, WHO NOTED THAT HE WAS FAMILIAR WITH PROBLEM, HAVING DISCUSSED IT PREVIOUSLS WITH SECRETARY SIMON AND SECRETARY DENT. HE POINTED OUT, HOWEVER, THAT INSURANCE QUESTION FELL WITHIN COMPETENCE OF MINISTRY OF FINANCE AND ITS SUBORDINATE ORGANIZATION, INGOSSTRAKH. I POINTED OUT THAT PRESIDENT HAD INSTRUCTED ME TO RAISE THIS SUBJECT WITH SOVIETS AND STRESSED THAT THERE WAS CONSIDERABLE INTEREST IN U.S. IN SECURING MORE EQUITABLE DIVISION OF MARINE INSURANCE ON CARGOES MOVING IN US-SOVIET TRADE BETWEEN SOVIET AND U.S. UNDERWRITERS. IN CONCLUSION, KUZ'MIN SAID HE UNDERSTOOD THAT MINISTRY OF FINANCE AND INGOSSTRAKH WERE WORKING ON THIS PROBLEM BUT SAID HE WAS NOT SURE EXACTLY WHERE MATTER STOOD.

7. ON MY DEPARTURE, I MET BRIEFLY AT AIRPORT WITH U.S. PRESS CORPS. PER INSTRUCTIONS, I MADE STATEMENT THAT MY WORK WAS COMPLETED AND THAT STATEMENT WOULD BE MADE "SOON" IN WASHINGTON. ALTHOUGH FURTHER QUESTIONS ATTEMPTED TO DRAW ME OUT ON RESULTS OF NEGOTIATIONS, I DECLINED TO ELABORATE BEYOND MY INITIAL STATEMENT. (COMMENT: EMBASSY WOULD APPRECIATE RECEIVING BY IMMEDIATE TELEGRAM TEXT OF WHITE HOUSE ANNOUNVEMENT SO THAT WE CAN PASS THIS TO RESIDENT U.S. PRESS CORP, SHORTLY AFTER WASHINGTON ANNOUNCEMENT. ALSO PLEASE ADVISE WHETHER FULL TEXT OF AGREEMENTS ARE RELEASED IN WASHINGTON SO WE CAN DO SAME

SECRET

SECRET

PAGE 05 STATE 248882 TOSEC 160089

HERE. END COMMENT).

9. PER INSTRUCTIONS STATE 248749, TEXT OF INTRODUCTORY PARAGRAPH OF OIL LETTER OF INTENT DOES NOT RPT NOT CONTAIN REFERENCE TO DATES OF NEGOTIATIONS. FULL TEXT OF LETTER OF INTENT WILL BE TRANSMITTED SEPTTEL.

STOESSEL

UNQUOTE. INGERSOLL

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## Message Attributes

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